

City and County of Denver, Colorado

TAX GUIDE

Topic No. 6

AUTOMOTIVE VEHICLES – SHORT-TERM RENTALS AND CAR SHARING

TAX RATE

As part of the funding for the bonds issued to finance construction and expansion of the Colorado Convention Center, a special tax rate is imposed upon the short-term rental of automotive vehicles. Effective January 1, 2000, that rate is 7.25%.

Tax collected on automotive vehicle rentals must be separately reported on Line 5B of the sales tax return.

TYPES OF VEHICLES SUBJECT TO THE SPECIAL RATE

The special tax rate of 7.25% applies to short-term (30 days or less) rentals of automotive vehicles of the type required to be registered with Denver Motor Vehicle Division and includes:

- Aircraft
- Automobiles
- Dump Trucks
- Trucks
- Trailers
- Semi-Trailers
- Motor Homes
- Motorcycles
- Motor Scooters (excluding mopeds) and all other vehicles defined as automotive vehicles in DRMC Sections 53-53(6) and 53-103(6).

Denver sales tax would not apply to a personal service where a human driver and a vehicle are both involved in transporting persons or cargo (similar to a taxi-type or limo-service fare situation). However, Transportation as a Service (TaaS) charges, where an autonomous or self-driven vehicle transports persons or cargo without a human driver, are taxable vehicle rentals and the special tax rate of 7.25% will apply.

The special tax rate does not apply to vehicles, self-propelled or otherwise, which are not designed primarily for the transportation of persons or cargo over the public highways. This includes wheeled vehicles commonly used in the construction, maintenance, and repair of roadways, such as:

Cranes	Office Trailers
Concrete Pumps	Off-Highway Trucks
Air Compressors	Special Mobile Equipment (SME)
Mobile Welders	

The general tax rate applies to the rental of this type of equipment.

TAXABLE VERSUS NON-TAXABLE CHARGES

The following is a list of common charges appearing on automotive vehicle rental and car sharing invoices. Included is a summary describing the taxability of the charge and the appropriate tax rate:

- A. Time & Mileage: Taxable (7.25%) All time, mileage, and usage charges are taxable, including late return fees and excess mileage fees.
- B. Additional Driver or Member: Taxable (7.25%)
- C. Collision Damage Waiver (CDW) or Loss Damage Waiver (LDW): Taxable (7.25%). This is not a charge for insurance. It is a fee imposed by the rental company, at the renter's option, that eliminates or reduces the monetary liability the renter would otherwise be subject to when damage occurs to the vehicle.
- D. Personal Accident Insurance (PAI), Personal Effects Coverage (PEC), and other optional insurance charges: Not taxable if the charge is actually for insurance, such as the rental company contracting with a third party insurance company to provide this service.
- E. Refueling Charge: Not taxable if the rental contract imposes a refueling charge when the vehicle is returned with less than a full tank of gas. Taxable (7.25%) if the rental contract imposes a mandatory fuel charge, regardless of whether the vehicle is returned with a full tank of gas or not.
- F. Tire Damage: Not taxable if the rental contract imposes a tire damage charge when the vehicle is returned with damage. Taxable (7.25%) if the rental contract imposes a mandatory tire damage charge, regardless of whether the vehicle is damaged or not.
- G. Optional Rental Items (e.g., cellular phone, baby seat, ski rack): Taxable at 7.25% rate if not separately stated on the invoice. Otherwise, Taxable at the general tax rate if separately stated.
- H. Port Fee: Taxable (7.25%). This fee is imposed on the receipts of vehicle rental companies at Denver International Airport, and may be passed on to the customer as an additional rental charge.
- I. Membership Fees: Taxable (7.25%). Membership fees, Membership Cards, FOB keys, Replacement Cards or Keys, etc are often sold by car sharing programs and are required to use the rental vehicle, thus are subject to tax.
- J. Unused Reservation Fee: If a fee is charged for an unused reservation, and the customer retains the rights to use the vehicle, the charge is taxable (7.25%). If a cancellation fee is charged, and the customer forfeits its rights to use the car it is not taxable.
- K. Customer Facility Charge, Colorado Road Fee, Energy Surcharge, Extra Day Charge, and Vehicle License Recovery Fee are examples of other taxable charges.

In addition to the above charges, the State of Colorado allows automotive vehicle rental companies, at their option, to pass the ownership tax to the renter, by adding a 2% ownership tax to the rental billing. This charge is not subject to the sales or use tax.

EXAMPLES

1. Eddie rents an RV from Bob's RV Rental at the following daily rates:
 - A. Base daily rental \$69.95
 - B. Additional driver 5.00
 - C. CDW 11.95
 - D. VIC (flat rate) 12.00
 - E. Barbecue Grill; TV; Chairs 15.00

The VIC charge (Vacation Interruption Charge) is an insurance charge when Bob's RV Rental collects the premiums on behalf of a third party insurance company. The barbecue grill, TV, and chairs charge is identified as a separate item on the invoice.

In this example, charges for A, B, and C are taxable at 7.25%; the charge for D is not taxable; and the charge for E is taxable at the general tax rate.

2. Sally applies for membership with Colo CarShare Company, and after acceptance checks out a car for 4 hours, but returns the car a half hour late. She also exceeded the allowed mileage and received a parking violation for parking illegally. The following fees were assessed:
 - A. Application Fee \$35.00
 - B. Annual Membership Fee \$60.00
 - C. Hourly Rental Fee \$28.00
 - D. Late Return Fee \$10.00
 - E. Excess Mileage Charge \$5.00
 - F. Parking Ticket and Administrative Fee \$50.00

In this example, charges for B, C, D, and E are taxable at 7.25% and the charges for A and F are not taxable.

- * DRMC Section 53-53(6). Definitions.
- * DRMC Section 53-54. Imposition of tax.
- * DRMC Section 53-56. Retailers to collect tax.
- * DRMC Section 53-61 Tax on rentals.
- * DRMC Section 53-103(6). Definitions
- * DRMC Section 53-104. Imposition of tax.
- * DRMC Section 53-106. Retailers to collect tax.
- * DRMC Section 53-110. Tax on rentals.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT DENVER TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE DRMC AND APPLICABLE RULES AND REGULATIONS.